

Protect Yourself Against Fraud



Before you invest, you should always investigate the brokerage company making the recommendation, the salesperson, and the investment opportunity by asking questions and checking references. The best place to start in protecting yourself against becoming a victim of fraud is to carefully select your broker and salesperson.

You should also thoroughly understand the investment, including the risks involved, before you invest. Contact the appropriate regulatory agencies. Visit your local bookstore or library and educate yourself on appropriate investment subjects that interest you. Be informed and certain of what you are buying before you invest.

Securities Regulation in Hawaii

The Office of the Commissioner of Securities regulates the sale of securities in Hawaii, and is part of the Department of Commerce & Consumer Affairs. The major responsibilities of the Securities section include registration of securities offerings, licensing of brokerage and investment advisory firms and their salespersons, and investigation of alleged violations of the securities laws.

Questions you should ask

When you are contacted by telephone or in person to make an investment, you should ask the following questions and write down the responses:

- ✍ What is the name of the caller, the firm's name, and their telephone number?
- ✍ How did you get my name?
- ✍ Where is your office located?
- ✍ How long has your company been in business?
- ✍ Are you and your firm licensed with the Division of Business Registration of the state of Hawaii, to sell this investment?
- ✍ Is the investment registered with the Division of Business Registration of the state of Hawaii?
- ✍ What are the risks of this investment?
- ✍ Can you send me an offering document or prospectus that explains the details of this investment?
- ✍ How do I liquidate this investment, and how long will it take?
- ✍ Would you explain this investment to a third party, such as my attorney, accountant, investment advisor, or banker?
- ✍ Can you tell me the name of your firm's principals and officers?
- ✍ Can you provide references?
- ✍ Are these investments traded on a regulated exchange, such as a securities or futures exchange?

- ✍ What governmental or industry regulatory supervision is your firm subject to?
- ✍ How much of my money will go to commissions, management fee, and the like? Now and in the future.
- ✍ If disputes should arise, how will they be resolved?

Asking these questions is the start of the investigation process. However, remember, a skillful presenter will have answers to all of your questions. It is your responsibility to verify the information you receive in response to the questions asked above. You can easily determine if the information you have been given is accurate by calling the numbers and firms listed.

Call the Division of Business Registration, Compliance Branch at (808) 586-2722 for information on any of the following:

The licensing status of the salesperson:

The licensing status of the firm;

Registration of the securities involved;

Disciplinary history of the sales person or firm;

Call your local police department or the Better Business Bureau in your area for information on any of the following:

Consumer complaints against the salesperson; and

Consumer complaints against the company;

Call the National Association of Securities Dealers (NASD) at (800) 289-9999 (between 9:00 a.m. and 5:00 p.m., EST) for information on any of the following:

Final disciplinary actions and criminal convictions involving firms, brokers, and individual registered with the NASD;

Civil judgements involving securities matters;

Pending formal disciplinary proceedings initiated by the Securities and Exchange Commission (SEC), the NASD, other self-regulatory organizations, and individual states;

Criminal indictments and related information reported by the securities industry and the U.S. Department of Justice;

NASD arbitration decisions involving public customer claims dealing with securities matters.

Call the Division of Business Registration, Securities Enforcement Branch at (808) 586-2740 for information on any of the following:

Consumer Complaints against the salesperson; and

Consumer complaints against the company.

Remember

All investments carry a risk... even if all of the above steps indicate that the company, salesperson, and securities you want to invest with are solid and legitimate. Generally, the higher the return you want on your investment, the greater risk you are taking.

No amount of investigation will change these basic rules. Do not invest more than you are willing to lose.